

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company to Revise its Electric Marginal Costs, Revenue Allocation and Rate Design. (U39M.)

Application 16-06-013

(NOT CONSOLIDATED)

Application of Pacific Gas and Electric Company for Approval of its Electric Rate Design Proposals for its Test Year 2019 Rate Design Window Proceeding (U39E).

Application 18-11-013

**DECISION GRANTING PETITION FOR MODIFICATION
AND ADOPTING SETTLEMENT**

Summary

This decision grants the petition for modification filed by Pacific Gas and Electric Company (PG&E) regarding Decision 18-08-013 in Application (A.)16- 06-013 and approves the settlement filed in A.18-11-013 by the parties to Application 18-11-013. The petition for modification and the settlement are addressed in a single decision as they are interrelated and depend on each other. The petition was filed in order to adjust the terms of the Time Of Use Rates for Grandfathered Solar Agricultural Customer Supplemental Settlement Agreement as adopted by Decision (D.)18-08-013 to conform with the terms of the settlement reached in A.18-11-013.

The settlement and the petition for modification adopt mitigation measures for agricultural customers in PG&E's territory that are adversely

affected by the rate designs approved in D.18-08-013. This decision finds that those measures are reasonable.

1. Background

The Commission issued Decision (D.) 18-08-013 last August to resolve Pacific Gas and Electric Company's (PG&E's) most recent General Rate Case (GRC) Phase II application, Application (A.) 16-06-013. The GRC Phase II application considered various issues including revenue allocation amongst PG&E's customer classes, rate designs for PG&E's customers, the definition of peak time-of-use (TOU) periods, and the level of retail rate charges paid by PG&E's various customer classes.

D.18-08-013 approved a number of settlements in that proceeding, including two settlements related to rate design for PG&E's agricultural customers: 1) the TOU for Grandfathered Solar Agricultural Customer Supplemental Settlement Agreement (the RGSAC settlement), and 2) the Agricultural Rate Design Supplemental Settlement Agreement (the Ag Rates settlement).

The Ag Rates settlement approved by D.18-08-013 proposed the development of mitigation measures for agricultural customers highly impacted by the rate designs adopted by D.18-08-013. The Ag Rates settlement deferred consideration of mitigation measures for these customers to PG&E's 2019 Rate Design Window (2019 RDW) A.18-11-013.¹ Therefore, the 2019 RDW was expected to resolve agricultural rate design issues essentially leftover from A.16-06-013 and D.18-08-013.

¹ PG&E-1, Attachment 1 at 9.

PG&E filed its 2019 RDW application on November 20, 2018 as A.18-11-013. The application was protested by the California Farm Bureau Federation (CFBF) on December 20, 2019 and by the Agricultural Energy Consumers Association (AECA) on December 21, 2019. A prehearing conference (PHC) was held on January 4, 2019. An Assigned Commissioner's Scoping Memo and Ruling (scoping memo) was filed on January 24, 2019. The scoping memo defined the following issues for consideration in A.18-11-013:

1. Whether PG&E's proposed agricultural schedules AG-A1 and AG-A2 are reasonable and should be approved.
2. Whether PG&E's proposed modifications to the rate design for schedule AG-C are reasonable and should be approved.
3. Whether PG&E's proposal to modify the TOU differentiation of the distribution rate component of various agricultural rate schedules is reasonable and should be approved.
4. Whether the bill impacts of the proposed modifications to the agricultural rates adopted in D.18-08-013 are reasonable.
5. Whether there are any other reasonable mitigations for those agricultural class customers that are highly impacted by the agricultural rate changes adopted by D.18-08-013.

PG&E, CFBF, and AECA (the Settling Parties) filed a motion to accept a settlement of all issues in A.18-11-013 (the A.18-11-013 settlement) on March 5, 2019. On March 25, 2019 PG&E filed a motion to admit testimony and a late-filed exhibit as evidence. This late-filed exhibit included a redlined version of the Ag Rates settlement filed in A.16-06-013 that could be used by the Commission to evaluate the changes proposed to the Ag Rate settlement by the A.18-11-013 settlement.

In parallel, PG&E filed a petition for modification D.18-08-013 in A.16-06-013 on March 5, 2019. This petition was filed in order to adjust the terms of the RGSAC settlement to conform with the terms of the A.18-11-013

settlement. The Settling Parties made clear in their motion that granting the petition is necessary in order to execute the terms of the A.18-11-013 settlement.² The petition for modification is supported by all of the parties to the RGSAC settlement, which are the California Solar & Storage Association (CALSSA) and the A.18-11-013 Settling Parties. No party responded to the petition within 30 days of its filing as required by Rule 16.4(f) of the Commission's Rules of Practice and Procedure. The petition for modification is therefore unopposed.

2. Discussion

The terms of the A.18-11-013 settlement cannot be implemented unless D.18-08-013 is modified. For that reason, this decision considers both the A.18-11-013 settlement and the petition for modification of D.18-08-013 simultaneously as they are interrelated and depend on each other. The A.18-11-013 settlement is considered first and then this decision turns to the petition for modification of D.18-08-013.

2.1. The A.18-11-013 Settlement

This decision first considers whether the A.18-11-013 settlement, and its modifications to the Ag Rates settlement, should be adopted and whether it disposes of all the issues identified in the A.18-11-013 scoping memo.

The Commission has long favored the settlement of disputes.³ Article 12 of the Commission's Rules of Practice and Procedure (Rules) generally concerns settlements. Pursuant to Rule 12.1(d), the Commission will not approve a settlement unless it is found to be reasonable in light of the whole record, consistent with law, and in the public interest. This standard applies to settlements that are contested as well as uncontested. Where a settlement is

² Motion to adopt A.18-11-013 settlement at 3.

³ D.17-08-030 at 9; D.18-08-013 at 11; D.18-11-027 at 7.

contested, it will be subject to more scrutiny than an uncontested settlement. The A.18-11-013 settlement is between all the parties to the proceeding and is therefore uncontested.

The A.18-11-013 settlement modifies the Ag Rates settlement approved by D.18-08-013 in several ways. This decision considers whether those modifications are reasonable in light of the whole record, consistent with the law, and in the public interest. The changes made by the A.18-11-013 settlement to the Ag Rates settlement include:

- Delays mandatory transition to TOU rates for highly impacted agricultural customers⁴ with 12 months of interval data until March 1, 2022, unless those customers are due to transition to new Schedule AG-R.⁵ The original deadline from the Ag Rates settlement is March 1, 2021.
- Delays the date upon which demand billing for those highly impacted customers on legacy rate schedules AG-4A, AG-5A, AG-RA_{leg}, and AG-VA will be converted from connected load to metered demand.⁶ The previous deadline of March 2020 is extended to March 1, 2022. Those customers that are not highly impacted will be transitioned to metered demand in March 2021 so long as they have 12 months of recorded interval data.⁷

⁴ Highly impacted customers are defined as those that would experience bill increases greater than 7% and \$100 on an annual basis as a result of the changes to agricultural rates adopted in A.16-06-013 and A.18-11-013. (PG&E-1, Attachment 1 at 10.) PG&E estimates that between 3,850 and 5,000 agricultural customers (out of around 90,000 total) will fall into this category. (PG&E-2 at 4.)

⁵ PG&E-1, Attachment 1 at 10-11. Schedule AG-R is a voluntary opt-in split-week TOU schedule.

⁶ PG&E-1 at 2 (“[t]he settlement does not intend to delay the transition to metered demand for all legacy AG-A customers until 2022. It is intended to enable highly impacted customers to delay their mandatory transition to metered demand until 2022”).

⁷ PG&E-1 at 2.

- Removes the requirement for customers on legacy rate AG-1A to convert to demand billing based on metered demand. This allows those AG-1A customers with less than 12 months of recorded interval data to remain on a non-TOU rate.
- Creates non-TOU legacy rate schedules AG-1A and AG-1B⁸ for those agricultural customers with legacy meters that cannot be transitioned to interval meters. There are approximately 1,300 legacy meters in place, and while that number may be reduced PG&E estimates that a small number of agricultural customers will remain on the non-TOU rates for some time.⁹ Service on these non-TOU rates would also prevent a transition of these customers to metered demand.¹⁰
- Separates new Schedule AG-A into Schedule AG-A1 and Schedule AG-A2. The creation of Schedule AG-A2 provides a higher load factor rate for customer with a peak demand of less than 35 kilowatts (kW).¹¹ Those customers on current Schedule AG-5A will be transitioned to new Schedule AG-A2.¹²
- Clarifies that all customers that currently take service on the legacy “A” agricultural rates that have metered demand of over 35 kW will be defaulted to the new AG-B rate schedule in March 2021 (or March 2022 if they are highly impacted).¹³
- Clarifies that net energy metering (NEM) customers, direct access customers, and community choice aggregation customers and accounts beginning service on or after

⁸ PG&E-1, Attachment 1 at 16.

⁹ PG&E-1 at 3.

¹⁰ *Id.*

¹¹ PG&E-1, Attachment 1 at 12. Elsewhere in PG&E’s testimony it states that Schedule AG-A2 will be available to customers with motors under 35 horsepower (hp). (PG&E-2 at 3.)

¹² PG&E-1, Attachment 1 at 8.

¹³ PG&E-1, Attachment 1 at 15-16.

August 9, 2018 are not eligible for exemptions from the mandatory TOU transition.¹⁴

- Adds time-differentiation to the distribution component of agricultural TOU rates.¹⁵
- Modifies the demand charges of new Schedule AG-C.¹⁶

The motion to adopt the A.18-11-013 settlement argues for the adoption of these changes generally rather than defending each change individually. The motion states that “achieving bill mitigation for highly impacted customers with rate design adjustments that reduce the number of highly impacted customers [] depends on various elements of the settlement. If one element were changed, the reduction in the number of highly impacted customers could be affected. That is an important reason the [A.18-11-013 settlement] should be reviewed and approved as a whole, rather than element by element.”¹⁷

This decision adopts the motion’s approach and assesses whether the revisions to the agricultural rate designs as a complete package are reasonable in light of the whole record, consistent with the law, and in the public interest.

2.1.1. Is the Settlement Reasonable in Light of the Whole Record?

The Settling Parties argue that the rate design modifications are reasonable in light of the whole record for the following reasons:

- The modified rate designs as a whole reduce the number of highly impacted agricultural customers that would have resulted from the Ag Rates settlement.¹⁸

¹⁴ PG&E-1, Attachment 1 at 16.

¹⁵ PG&E-1, Attachment 1 at 12.

¹⁶ *Id.*

¹⁷ Motion to adopt A.18-11-013 settlement at 11.

¹⁸ Motion to adopt A.18-11-013 settlement at 3.

- The bill impacts of the modified rate designs provide effective bill mitigation for highly impacted agricultural customers.¹⁹
- The A.18-11-013 settlement resolves all issues in the scope of A.18-11-013.²⁰
- Two of the Settling Parties in A.18-11-013 represent the interests of agricultural customers highly impacted by the Ag Rates settlement.
- The Settling Parties are the same parties to the Ag Rates settlement approved by D.18-08-013, and therefore are in a position to determine if the A.18-11-013 settlement fulfills the requirement of the Ag Rates settlement to require mitigation measures for highly impacted customers.²¹
- The A.18-11-013 settlement reflects the results of extensive analyses and data requests, reviews of bill impacts after considering various possible mitigation measures, and a give-and-take among the Settling Parties.²²

No party objected to the motion's reasoning and the A.18-11-013 settlement is unopposed. No party offered evidence contradicting the motion's arguments. PG&E's testimony in this proceeding demonstrates that the modified rate designs as originally proposed by PG&E would reduce the number of agricultural customers highly impacted by the Ag Rates settlement.²³

For the above reasons, this decision finds that the A.18-11-013 settlement is reasonable in light of the whole record.

¹⁹ Motion to adopt A.18-11-013 settlement at 3-4.

²⁰ Motion to adopt A.18-11-013 settlement at 4.

²¹ Motion to adopt A.18-11-013 settlement at 11.

²² Motion to adopt A.18-11-013 settlement at 11-12.

²³ PG&E-2 at 20. While this information was not updated to reflect the terms of the A.18-11-013 settlement, this decision assumes that modified rate designs agreed to by the Settling Parties continue to reduce the number of highly impacted customers given the assertions of the motion to adopt the A.18-11-013 settlement.

2.1.2. Is the Settlement Consistent with the Law?

The Settling Parties argue that the rate design modifications are consistent with the law because it complies with prior Commission decisions and applicable statutes, including the requirement of Public Utilities Code Section 451 (Section 451) that utility rates be just and reasonable.²⁴

D.18-08-013 approved the Ag Rates settlement which called for the development of mitigation measures for highly impacted agricultural customers. That decision also sought updated agricultural rates designs from PG&E that included time-differentiated distribution rates for agricultural customers. The A.18-11-013 settlement complies with both of these recommendations from D.18-08-013 and therefore is consistent with that decision.

Regarding the requirement of Section 451, the illustrative rates resulting from the A.18-11-013 settlement are reasonable when compared to the illustrative rates that resulted from the Ag Rates settlement.²⁵ Customer charges remain the same where applicable, and changes to peak and off-peak prices reflect time-differentiation of distribution rates as recommended by D.18-08-013.

There are significant increases to the demand charges for Schedule AG-C customers as originally proposed by PG&E in this proceeding and as agreed to by the Settling Parties.²⁶ The apparent effect of this increase is to lower energy charges for AG-C customers as compared to illustrative rates from the Ag Rates settlement.²⁷ PG&E's testimony states that these changes were made in response to Commission guidance in D.18-08-013 to increase peak-to-off-peak

²⁴ Motion to adopt A.18-11-013 settlement at 12.

²⁵ See PG&E-1, Attachment 1 at 32-38.

²⁶ PG&E-2 at 11.

²⁷ PG&E-1, Attachment 1 at 33.

differentials for agricultural customers.²⁸ PG&E also states that this increase, among other things, has the effect of reducing the number of agricultural customers highly impacted by the rate designs adopted by D.18-08-013 through the Ag Rates settlement.²⁹ Because the increases to the AG-C demand charges are in accord with the Commission's previous guidance, lead to lower energy charges, and help to lower the number of highly impacted customers, the increases are consistent with previous Commission decisions and Section 451.

Some overall increases in energy charges are observed due to apparent increases in the distribution charges generally.³⁰ While not fully addressed by the Settling Parties, these changes to the energy charges as compared to the Ag Rates settlement result in only minor increases and decreases to rates, and are therefore consistent with Section 451.

For the above reasons, this decision finds that the A.18-11-013 settlement is consistent with the law.

2.1.3. Is the Settlement in the Public Interest?

The Settling Parties argue that the A.18-11-013 settlement is in the public interest as it is the result of negotiations between parties representing the interests of agricultural customers and PG&E to develop mitigation measures sought by D.18-08-013 and the Ag Rates settlement. The Settling Parties state that their agreement resolves the mitigation measures issue leftover from A.16-06-013 and better accommodates the transition of agricultural customers to new rates and TOU periods as adopted by D.18-08-013. The Settling Parties

²⁸ PG&E-2 at 7.

²⁹ *Id.* This appears to be the case due to the relatively high load factor of AG-C customers, which insulates them to some degree from the impact of demand charges with greater peak prices and confers a benefit if energy charges are reduced in the aggregate.

³⁰ See, e.g., PG&E-1, Attachment 1 at 32 (illustrative rates for Schedule AG-B).

further argue that the A.18-11-013 settlement avoids time, expense, and uncertainty related to future litigation and frees resources for other Commission proceedings.³¹

No party objected to the motion's arguments or offered testimony contradicting them. Therefore, for the reasons stated above, this decision finds that the A.18-11-013 settlement is in the public interest.

2.2. Petition for Modification of D.18-08-013

This decision now considers the petition for modification of D.18-08-013 (the petition) filed by PG&E on March 5, 2019 in A.16-06-013. The petition was filed in order to adjust the terms of the RGSAC settlement to conform with the terms of the A.18-11-013 settlement.³² The Settling Parties made clear in their motion that granting the petition is necessary in order to execute the terms of the A.18-11-013 settlement.³³ The petition is supported by all of the parties to the RGSAC settlement, which are CALSSA and the A.18-11-013 Settling Parties.

The petition is timely as it was filed within 12 months of the effective date of D.18-08-013.³⁴ No responses were received on the petition and no party to A.16-06-013 objected to it. The petition is therefore unopposed.

The petition and its modification to the RGSAC settlement is granted for several reasons. Granting the petition is necessary to give effect to the A.18-11-013 settlement previously approved by this decision. Additionally, the petition is agreed to by all the parties to the original RGSAC settlement and is

³¹ Motion to adopt A.18-11-013 settlement at 12.

³² Petition for modification of D.18-08-013 at 1.

³³ Motion to adopt A.18-11-013 settlement at 3.

³⁴ Commission's Rules of Practice and Procedure, Rule 16.4(d).

not opposed by any party. PG&E shall give effect to the modifications of the RGSAC settlement as soon as practicable.

3. Outstanding Motions

On March 5, 2019 PG&E filed a motion in A.18-11-013 for approval of the A.18-11-013 settlement. No party objected to the motion. For the reasons stated previously the motion is granted. PG&E shall give effect to the terms of the A.18-11-013 settlement as soon as practicable.

On March 25, 2019 PG&E filed a motion in A.18-11-013 to admit PG&E's testimony and late-filed exhibit as evidence. No party objected to the motion. Good cause being shown, this decision grants the motion and accepts exhibits PG&E-1 and PG&E-2 as evidence.

All other outstanding motions currently pending in A.18-11-013 are denied.

4. Conclusion

This decision approves the A.18-11-013 settlement and the petition for modification of D.18-08-013. The A.18-11-013 settlement and the petition for modification adopt mitigation measures for agricultural customers in PG&E's territory that are adversely affected by the rate designs approved in D.18-08-013. This decision finds that those measures are reasonable in light of the whole record, consistent with the law, and in the public interest.

5. Comments on Proposed Decision

Pursuant to Rule 14.6(b) of the Commission's Rules of Practice and Procedure, all parties stipulated to waive the 30-day public review and comment period required by Section 311 of the Public Utilities Code. Additionally, as this decision grants relief requested by the parties with respect to uncontested matters, the 30-day comment period on the proposed decision is waived per

Public Utilities Code Section 311(g)(2) and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure.

6. Assignment of Proceeding

Michael Picker is the assigned Commissioner for A.16-06-013.

Michelle Cooke and Patrick Doherty are the assigned Administrative Law Judges (ALJs) in A.16-06-013.

Michael Picker is the assigned Commissioner for A.18-11-013 and Patrick Doherty is the assigned ALJ for A.18-11-013.

Findings of Fact

1. The A.18-11-013 settlement is between all the parties to the proceeding and is therefore uncontested.
2. The modified rate designs created by the A.18-11-013 settlement as a whole reduce the number of highly impacted agricultural customers that would have resulted from the Ag Rates settlement.
3. The bill impacts of the modified rate designs created by the A.18-11-013 settlement provide effective bill mitigation for highly impacted agricultural customers.
4. The A.18-11-013 settlement resolves all issues in the scope of A.18-11-013.
5. Two of the Settling Parties in A.18-11-013 represent the interests of agricultural customers highly impacted by the Ag Rates settlement.
6. The Settling Parties are the same parties to the Ag Rates settlement approved by D.18-08-013, and therefore are in a position to determine if the A.18-11-013 settlement fulfills the requirement of the Ag Rates settlement to require mitigation measures for agricultural customers highly impacted by the Ag Rates settlement.

7. The A.18-11-013 settlement reflects the results of extensive analyses and data requests, reviews of bill impacts after considering various possible mitigation measures, and a give-and-take among the Settling Parties.

8. No party objected to the motion's reasoning and the A.18-11-013 settlement is unopposed.

9. No party offered evidence contradicting the motion's arguments.

10. PG&E's testimony in this proceeding demonstrates that the modified rate designs as originally proposed by PG&E would reduce the number of agricultural customers highly impacted by the Ag Rates settlement.

11. Under the A.18-11-013 settlement customer charges remain the same where applicable, and changes to peak and off-peak prices reflect time-differentiation of distribution rates as recommended by D.18-08-013.

12. There are significant increases to the demand charges for Schedule AG-C customers as originally proposed by PG&E in this proceeding and as agreed to by the Settling Parties.

13. The A.18-11-013 settlement is the result of negotiations between parties representing the interests of agricultural customers and PG&E to develop mitigation measures sought by D.18-08-013 and the Ag Rates settlement.

14. The A.18-11-013 settlement resolves the mitigation measures issue leftover from A.16-06-013 and better accommodates the transition of agricultural customers to new rates and TOU periods as adopted by D.18-08-013.

15. The A.18-11-013 settlement avoids time, expense, and uncertainty related to future litigation and frees resources for other Commission proceedings.

16. No party objected to the arguments in favor of the A.18-11-013 settlement or offered testimony contradicting them.

17. Granting the petition for modification of D.18-08-013 is necessary in order to execute the terms of the A.18-11-013 settlement.

18. The petition is supported by all of the parties to the RGSAC settlement, which are CALSSA and the A.18-11-013 Settling Parties.

19. The petition is timely as it was filed within 12 months of the effective date of D.18-08-013.

20. No responses were received on the petition and no party to A.16-06-013 objected to it.

21. The petition is unopposed.

Conclusions of Law

1. The A.18-11-013 settlement is reasonable in light of the whole record.

2. The A.18-11-013 settlement complies with recommendations from D.18-08-013 and therefore is consistent with that decision.

3. The illustrative rate designs resulting from the A.18-11-013 settlement are reasonable when compared to the illustrative rate designs that resulted from the Ag Rates settlement.

4. The increases to the AG-C demand charges are reasonable as they are in accord with the Commission's previous guidance, lower energy charges, and help to lower the number of highly impacted customers

5. The changes to the energy charges made by the A.18-11-013 settlement as compared to the Ag Rates settlement result in only minor increases and decreases to rates, and are therefore consistent with Section 451.

6. The A.18-11-013 settlement is consistent with the law.

7. The A.18-11-013 settlement is in the public interest.

O R D E R

IT IS ORDERED that:

1. The settlement reached among all the parties to Application 18-11-013, and its modifications to the Agricultural Rate Design Supplemental Settlement Agreement adopted in Decision 18-08-013, are approved.
2. The petition for modification of Decision 18-08-013 filed by Pacific Gas and Electric Company on March 5, 2019, and its modification to the Time Of Use Rates for Grandfathered Solar Agricultural Customer Supplemental Settlement Agreement, are granted.
3. Pacific Gas and Electric Company shall give effect to the terms of the settlement reached in Application 18-11-013 as soon as practicable.
4. Pacific Gas and Electric Company shall give effect to the terms of the petition for modification of Decision 18-08-013 as soon as practicable.

5. Application 18-11-013 is closed.

This order is effective today.

Dated _____, 2019, at Oxnard, California.